"ENVIRONMENTAL, SOCIAL AND GOVERNANCE [ESG] FACTORS AND FINANCIAL PERFORMANCE: AN ANALYSIS OF INVESTORS' SAGACIOUSNESS TOWARDS ESG IN INDIA"

Synopsis

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Introduction

ESG is on the minds of many investors today. It can represent risks and opportunities that will impact a company's ability to create long-term value. This includes environmental issues like climate change and natural resource scarcity. It covers social issues like labour practices, product safety, and data security. And it involves governance matters that include board diversity, executive pay, and tax transparency. an asset management firm, ESG uses Environmental, Social and Governance factors to evaluate companies and countries on how far advanced there are with sustainability. The firm also says that once enough information on these 3 criteria has been delivered, they can be combined with an investment process to help decide which equities or bonds are best to buy. Ultimately, ESG is a term that encompasses investments that aim to have positive returns and a long-term impact on people, planet and the on-business performance. As it identifies investments' potential risks and opportunities beyond technical valuation. ESG has the potential to enhance the traditional financial analysis mostly because these companies are more likely to outperform in the long-run when compared to the competition.

Environmental, Social and Governance (ESG) has gained increasing attention over the past few years, with many institutional investors investing only in those companies that provide ESG performance reporting. In fact, ESG has consideration relevant to analysts and investors, consumers and employees, and has become a key topic of discussion at the Board table.

ESG Criteria

Each of the three elements of ESG investing – environmental, social, and corporate governance – comprises a number of criteria that may be considered, either by socially responsible investors or by companies aiming to adopt a more ESG-friendly operational stance. While many ESG criteria are rather subjective (such as evaluations of "diversity" or "inclusion"), moves are occurring on several fronts that are designed to provide more objective, credible ratings of a company's performance in terms of ESG policies and actions.

In the past, a company's standing in terms of ESG has often depended less on substantive practices and more on how good the company's public relations department is. Businesses such as Accountability offer ESG consulting services for companies that want to implement broad ESG-friendly policies and practices.

ESG – Environmental

Environmental criteria include a company's use of renewable energy sources, its waste management program, how it handles potential problems of air or water pollution arising from its operations, deforestation issues (if applicable), and its attitude and actions around climate change issues.

Other possible environmental issues include raw material sourcing (e.g., does the company use fair trade suppliers and organic ingredients?) and whether a company follows biodiversity practices on land it owns or controls.

ESG – Social

Social criteria cover a vast range of potential issues. There are many separate social aspects of ESG, but all of them are essentially about social relationships. One of the key relationships for a company, from the point of view of many socially responsible investors, is its relationship with its employees. Following is a brief rundown of just some of the issues that may be considered when examining how a company handles its social relationships:

1. Is employee pay fair, or perhaps even generous, compared to comparable jobs or similar positions throughout the industry? What type of retirement plans are employees offered? Does the company contribute to the employee retirement plans?
2. In addition to basic wages or salary, what benefits or perks are employees provided with? With ESG-concerned investors, it can make a big difference in the evaluation of your company if, for example, you do things such as providing a free, very lavish buffet lunch for all employees every Friday – or provide other types of benefits that aren't common at all workplaces, such as an on-site fitness centre.
3. Workplace policies regarding diversity, inclusion, and prevention of sexual harassment are also frequently considered.
4. Employee training and education programs; for example, does your company provide financial support for continuing or higher education and/or flexible working hours for employees pursuing further education; what opportunities exist for employees to be trained in new job skills at the company that will qualify them for higher-paying positions?

5. What level of employee engagement with management is there? How much input do employees have in determining operational procedures within their respective departments?
6. The level of employee turnover?
7. What's the company's mission statement? Is it socially relevant and beneficial to society?
8. How well are customer relationships managed? Does the company engage with customers on social media? How responsive and efficient is the customer service department? Does the company have a negative history of consumer protection issues, such as product recalls?
9. Does the company take a public or political stance on human rights issues? Does it donate money to charitable causes?

ESG – Governance

Governance, in the context of ESG, is essentially about how a company is managed by those in the top floor executive offices. How well do executive management and the board of directors attend to the interests of the company's various stakeholders – employees, suppliers, shareholders, and customers? Does the company give back to the community where it is located? Financial and accounting transparency and full and honest financial reporting are often considered key elements of good Corporate Governance. Also important are board members acting in a genuine fiduciary relationship with stockholders and being careful to avoid conflicts of interest with that duty. Are the board members and company executives a diverse and inclusive group?

The issue of executive compensation is a primary focus of many ESG investors, who, for example, don't tend to favour multi-million-dollar bonuses for executives while the company imposes a salary freeze in effect for all other employees. Is extra compensation for executives appropriately tied to increasing the long-term value, viability, and profitability of the business? An example of how responsible corporate governance is put into practice can be seen in the policies of the company, Intuit (NASDAQ: INTU). One of the company's corporate policies that is aimed at helping to ensure that company executives take on a strong vested interest in the company's ongoing success, rather than just in earning some quarterly bonus, is a rule that requires the top-level chief executive officer to maintain stock ownership equivalent in value to ten times their annual salary.

In addition, executive bonuses depend on more than just revenue or income – factors such as employee, shareholder, and customer satisfaction are also part of the calculation.

The Indian Perspective: The pace of adopting of ESG in India has accelerated in recent years, with support from government, investors, shareholders and corporates.

Government priorities

On the environmental front, climate change, pollution and biodiversity conservation are the key challenges. The push for greater adoption of electric vehicles and renewable energy sources through incentives and subsidies, and introduction of regulation for better waste management are some of the ways the government has been trying to tackles these.

Table 1: CRISIL ESG INDIA LEADERSHIP SUMMIT 2021

Environmental	Social	Governance
• Government push to electrical vehicles and renewable energy resources • Paris Agreement • National Air Quality Index • Waste management rules • Pollutions emission standards • Industry effluent standards • Discontinuation of 15-year-old vehicles	• 2% corporate social responsibility (CSR) mandate • Free education for children • Minimum girl/woman reservation quota for gender balance in education • Rural area development • Affordable housing scheme • Lower stamp duty for women home buyers	• Impendent director norms • Independent audit committee • Women director representation • Insolvency and Bankruptcy Code • Whistle-blower policy • Management remuneration norms

On the social front, the affordable housing scheme, development of rural areas (electricity, internet and telecom connectivity), free education for children, and women empowerment are some initiatives.

On the governance side, tightening norms and formulation of committees such as the Kotak committee on corporate governance as well as the business responsibility and sustainability report (BRSR) disclosures have helped the country adopt a more transparent and creditable approach towards disclosures and management conduct. India is the only G20 country whose actions are on track to meet the Paris Agreement goal of limiting global warming by 2'Celsius. India has reduced 24% of its emission intensity relative to gross domestic product (GDP) from 2005 levels – out of a target of 33-35%. In the last six years, the country has witnessed the fastest rate of growth in renewable energy

capacity among large economies – its capacity increased 2.5 times (solar energy expanded over13 times).

ESG investors: These investors focus on non-financial factors related to environmental,social, and governance topics as part of their analyses to identify risks and growth opportunities. They might focus on ESG risks along with financial performance, or specifically eliminate or select investments based on ethical guidelines. They may also track for positive impact that will benefit society or the environment. They rely on ESG disclosures to inform these investment decisions.

In general, companies with articulated ESG strategies are well positioned to access capital, as more and more investors look to invest in these types of companies. Companies must also consider how investors obtain ESG information. Some investors obtain the information directly from the company, while others use ESG data compiled or determined by rating agencies (such as proxy advisory firms, ESG raters, and credit rating agencies). Other investors may use the data from rating agencies as a base to support their own independent analysis.

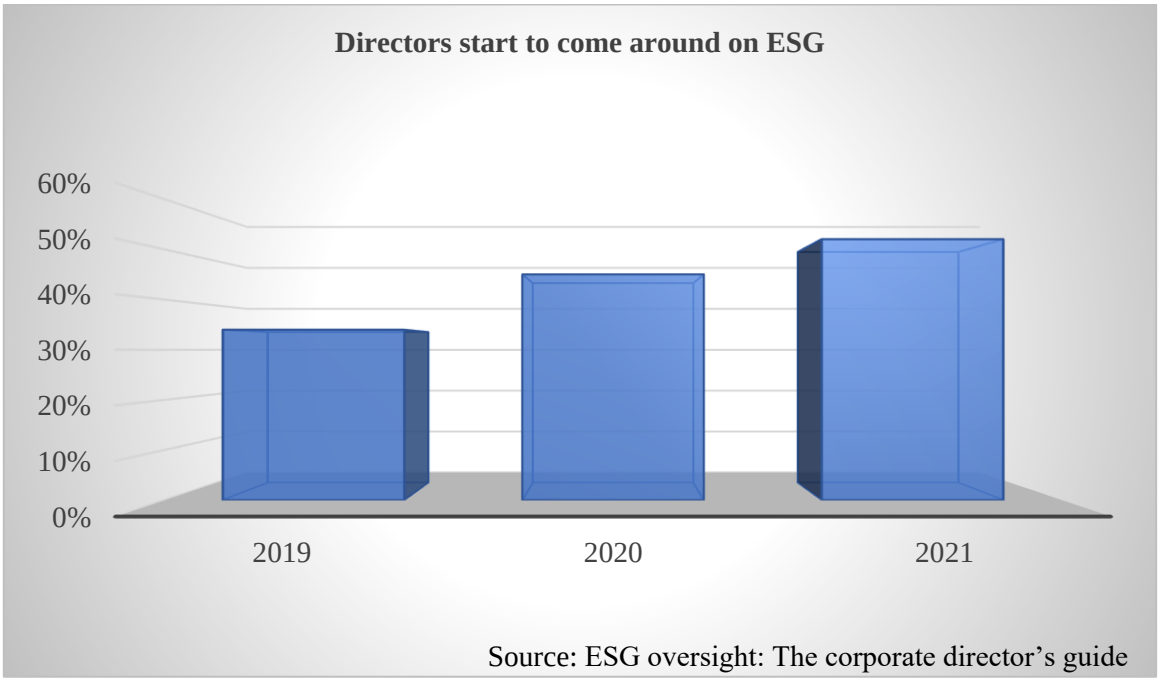

Fig. 1: In 2021, more than half of directors (52%) say that ESG issues are regularly a part of the board's agenda, up from prior years (34% in 2019 and 45% in 2020)

ESG Vs. CSR: What's The Difference?

The CSR definition represent all of the practices company develop to support the principles of sustainable Development. It is about integrating social and ecological concerns into business activities

and adopting a long-term vision as opposed to short-term value. According to the European Federation of financial Analysis societies (EFFAS), "ESG is a generic term used in capital markets. Often, it is erroneously equated with terms like Corporate Responsibility or Sustainability. However, when mainstream capital markets look at ESG, two focal points immediately emerge: risk caused by (bad) ESG performance and business opportunities based on proactive ESG performance. Corporate Responsibility reports from corporates address several stakeholder groups, not just investors and financial analysts." So, we can tell that ESG and CSR not only care about profits, finances, and governance but also consider people and the planet, clearly contributing to sustainability and Sustainability development. While CSR strongly focuses on engaging stakeholder, ESG is more about capital markets where investors choose businesses that disclose information on their ESG strategies.

The Challenges: Environmental, Social, and Governance (ESG) has rapidly become a central focus for investors who once relied more heavily on financial figures like debt retained, value of assets owned, and revenue trends as true risk indicators. The new investor demand for ESG metrics has left companies scrambling to first understand what ESG is, and then quickly implement a plan to meet and exceed stakeholder expectations.

Although companies recognize that a robust ESG strategy is critical to attract capital and succeed in today's market, many are not positioned to gather the necessary ESG metrics to respond to the current pressure from stakeholders. Teams are left in the dark about how to compile the required reports. They are often unable to access important ESG data, which is commonly buried in silos, point solutions, spreadsheets, or worse – in some cases the data was never collected in the first place.

Furthermore, the essential yet time consuming task of implementing a successful ESG program frequently rests on the shoulders of leaders across multiple departments – including EHS, Sustainability, Social, and Risk – in addition to their existing workloads.

Financial Performance: Financial performance means firm's overall financial health over a given period of time. Financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statements. The goal of such analysis is to

determine the efficiency and performance of firm's management, as reflected in the financial records and reports.

The analyst attempts to measure the firm's liquidity, profitability and other indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value. The ability of an organization to analyse its financial position is essential for improving its competitive position in the marketplace. Through a careful analysis of its financial performance, the organization can identify opportunities to improve performance of the department, unit or organizational level.

Review of Literature: The literature review is one of the crucial parts of the any research. A literature review is an explanation of what has been already done or published on any research topic. It is always based on the secondary sources. A literature review aims to review the critical points of current knowledge and use them to find out new results. A review of literature provides researcher's easy access to research on a particular topic. On the other hand, it prevents repetition of work.

The literature review has showed that ESG is the one of the new concepts in present era. Presently researcher has to find out the impact of ESG on financial performance of selected companies of India and investors' sagaciousness towards ESG. Lots of company adopted the ESG framework that's why they attract new investors, as well as the scoring high points to generate strong stakeholder base.

Table 2: Numbers of Review of Literature

Review	Number
International	**13**
National	**9**
	22

Table 3: INTERNATIONAL REVIEW OF LITERATURE

S. No.	Author(s)	Year	Title	Objective(s)	Research Methodology	Key Findings
1.	Yaghoub Abdi, Xiaoni Li and Xavier Camara-Turul	2022 Environment, Development and Sustainability Vol. 24, Issue 4,	Exploring the impact of sustainability (ESG) disclosure on firm value and Financial performance (FP) in airline industry: the moderating role of size and age.	This study aims at exploring the impact of ESG scores on the values and FP of firms in the airlines industry. The potential moderating role of firm size and age has also been studied in an effort to disentangle their relationships in this context.	The analysis involves interaction effects for two types of firms: full-service and low-cost carriers. Based on the collected data from 38 airlines worldwide for the period 2009 to 2019, researcher observed that contributions to governance initiatives improve a firm's market- to-book ratio.	The analysis found that a firm's participation in social and environmental activities is positively and significantly rewarded by a higher level of financial efficiency. Additionally, firm size is the relevant moderator for the association between sustainability disclosure and both firm value and FP in the air transport industry.
2.	Sang Kim and Zhichuan (Frank) Li	2021 Economic and Business Aspects of Sustainability Volume 13, Issue: 7 ISSN: 2071-1050 **Switzerland** (online)	Understanding the impact of ESG practices in corporate finance.	Proposed study examines the relationship between environmental, social, and governance (ESG) factors and corporate financial performance. Specifically, study various ESG factor and their impact on corporate financial performance including profitability and financial risk.	To create sample datasets, corporate financial datasets were extracted from S&P Capital IQ—CompStat database. It covers 172,437 observations from 1991 to 2013 based on 4708 firms in all industries. Regression Analysis.	A positive effect of ESG factors on corporate profitability, and the effect is more pronounced for larger firms. Among different ESG categories, corporate governance has the most significant impact, particularly for firms with weak governance. social factor has the most significant impact on credit rating, while environmental score surprisingly has a negative effect.
3.	Tensie Whelan,	2021	ESG and Financial	The authors of the report, NYU Stern Centre for	Because of the varying research frameworks, metrics and	The analysis found positive correlation between ESG

	Ulrich Atz, Tracy Van Holt, Casey Clark	NYU Stern Center for Sustainable Business **USA** (online)	performance: Uncovering the Relationship by Aggregating Evidence from 1,000 Plus Studies Published between 2015-2020	Sustainable Business and Rockefeller Asset Management, collaborated to examine the relationship between ESG and financial performance in more than 1,000 research papers from 2015-2020.	definitions, researcher decided to take a different approach than previous meta-analyses. Researcher divided the articles into those focused on corporate financial performance (eg operating metrics such as ROE or ROA or stock performance for a company or group of companies) and those focused on investment performance (from the perspective of an investor, generally measures of alpha or metrics such as the Sharpe ratio on a portfolio of stocks), to determine if there was a difference in the findings.	performance and operational efficiencies, stock performance and lower cost of capital.
4.	Alexandra A. Egorova, Sergei V. Grishunin, Alexander M. Karminsky	2021 The 8th International Conference on Information Technology and Quantitative Management (ITQM 2020 & 2021) Vol. 199	The Impact of ESG factors on the performance of Information Technology Companies	The aim of the paper is to investigate the impact of ESG factors on the performance of information technology (IT) companies. The paper analyzes the position of IT companies in the ESG rating relative to other industries, highlights the key strengths and weaknesses in their ESG component.	Database of IT sector companies can be downloaded by using Bloomberg terminal and Thomson Reuters Eikon. Those companies that have ESG rating data (Thomson Reuters Eikon) should be left. The time horizon of the data should be at least 10 years. From literature review it was found that Tobin's Q is suitable metric for assessment the market value of company. Olson describes a model for valuing public companies in which the market value of capital is determined based on the company's financial information plus other non-	It is shown that IT companies are not currently the leaders in terms of ESG rating, which leads to the conclusion that IT companies have the opportunity to develop their ESG practice, if its development will improve the position of the company and will have a positive effect on its performance.

		Netherland (online)			financial information. So, we will use ESG data as non-financial information, because Olson did not specify additional non-financial information could be used in the model.	
5.	Salim Chouaibi, Jamel Chouaibi, and Matteo Rossi	2021 EuroMed Journal of Business, 2021-Emerald, Vol. 17, Issue: 1 ISSN:1450-2194, **UK** (online)	ESG and corporate financial performance: the mediating role of green innovation: UK common law versus Germany civil law	The purpose of this paper is to investigate the direct and indirect links between environmental, social and governance (ESG) practices and financial performance using the mediate role of green innovation.	To test the current study hypotheses, the authors applied linear regressions with a panel data using the Thomson Reuters ASSET4 and Bloomberg database from a sample of 115 UK and 90 Germany companies selected from the ESG index over the period 2005–2019. The findings provide interesting implications to academics practitioners and regulators who are interested in discovering ESG score, financial performance and green innovation.	The results show that the strengths ESG increase the firm value and the weaknesses decrease it. In addition, the authors find that green innovation fully mediates the relationship between ESG practices and financial performance in UK and Germany. The results also provide insights to regulators and the board of directors on future growth opportunities for the company and the country.
6.	Dana Ioana RUSU	2020 Journal of Public Administration, Finance and Law ISSN: 2285-2204 **Romania** (online)	The impact of Environmental, Social and Governance factors on Investors' behavior – An experimental study in the realm of susutainable investment	This study examines the relationship between environmental, social, and governance (ESG) factors, corporate financial performance (CFP), and investing behavior.	Using a sequential 2x2 between-subjects experiment, t-test analysis was used for the differences presented seems modest in degree so therefore researcher decided to perform T-test on the information gathered and want to investigate in the short and long run how two independent variables, in different combinations, influence dependent variables, the right choice of a statistical	The result indicates that integrating sustainability and responsible business behavior into an organization's corporate strategy does not significantly influence investors' stock price assessment or allocation of funds. This conclusion holds irrespective of how the company's financial evolution looks like (improving/declining revenues and earnings).

					test is the two-way ANOVA with the F-test for statistical significance.	
7.	Ahmed Abdelsalam, Saree Barake & Ali Elcheikh	2020 Research Gate **UAE** (online)	Sustainable Investment and ESG Performance	this paper evaluates the relationship between environmental and social aspects, market conditions, and issues on corporate governance about sustainable investment	Regression, trend analysis and ripple effect	Material ESG factors have the potential of impacting the financial performance of a company and stakeholders returns through numerous channels. The moment a company fulfils its fiduciary responsibility to its investors; there is a high possibility of going the extra mile and surpassing its financial returns obligations and incorporating ESG factors.
8.	Haris Ramic	2019 Research gate **Switzerland** (Online)	Relationship between ESG performance and financial performance of companies: an overview of the issue	This study examines the relationship between financial performance and environmental, social and governance (ESG) performance of companies.	To study this relationship, we used ESG scores and financial data from the Thomson Reuters ASSET4 and DataStream databases. We focused on accounting performance, through ROA and ROE, and market performance, using Tobin's Q. Our sample covers the period 2005 to 2015 and includes listed companies from all over the world. After excluding financial companies, we arrive at a sample of 12,558 observations.	Our results indicate that ROE is positively impacted by ESG (aggregate), environmental and social performance. In addition, social performance has a positive impact on all three of our performance indicators. We also find a negative link between governance performance and Tobin's Q. The other links studied are not significant. These results highlight the importance of social policy adoption by companies to improve their financial performance.
9.	Kam Tai Kamsuo Wong	2017 Austin J Bus Adm Manage.	A Literature Review on Environmental, Social and Governance Reporting and	The purpose is to examine the need of Environmental, Social, Governance (ESG) reporting and its impact	Present paper analysis the longer-term analyst forecasts to assess the impact of ESG reporting and	It shows that there are both positive and negative relationships between ESG reporting and financial performance of a company. Further researches are therefore suggested in this paper to determine the content

		2017; 1(4): 1016. **Hong Kong** (online)	its Impact on Financial Performance.	on financial performance of listed companies.		and mode of ESG, improve theorizing and assessing the relationship between the EGS and financial performance of a company and its impact on financial performance of a company.
10.	Patrick Velte	2017 Journal of global Responsibility Vol: 8 Issue 2 ISSN: 2041-2568 **UK** (online)	Does ESG performance have an Impact on financial performance? evidence from Germany	The purpose of this paper is to concentrate on environmental, social and governance performance (ESGP) in total and divided in each component and evaluate their impact on financial performance (FINP).	The sample selection of companies listed on the German Prime Standard for the business years 2010-2014 (412 firm-year observations). A correlation and regression analysis was carried out to evaluate possible links between ESGP.	ESGP has a positive impact on ROA but no impact on Tobin's Q. Furthermore, by analysing the three different components of ESGP, governance performance has the strongest impact on FINP in comparison to environmental and social performance.
11.	Jean-Michel SAHUT	2014 Management International ISSN: 1206-1697 **USA** (online)	ESG Impact on Market Performance of Firms: International Evidence	This study investigates how news-based scores in environmental, social, and corporate governance (ESG) may have influenced the monthly stocks' market return in Switzerland, the US, and the UK during the 2007–2011 period.	multifactor linear model, By linear regression, the non-parametric kernel regression shows that the function linking a stock's performance to its ESG score changes is probably non-linear.	Researcher find that the variation of the overall ESG score is not significant in the US and Switzerland for the observed stocks. In the UK however, the change in the overall ESG score is a significant and slightly negative factor of the observed stocks' monthly performance in the 2007–2010 period.
12.	Hélène Pasquini-Descomps, & Jean-Michel SAHUT	2013 Management International 19(2)	ESG Impact on a Firm's Performance in Switzerland	This study investigates how news-based scores in Environmental, Social and Corporate governance (ESG) will influence the yearly financial return and	Researcher using a four-factor based linear model as well as a non-parametric kernel regression model for eleven stocks over the period 2007-2011, and for the yearly	The accounting model shows that the yearly variation of the ESG Global may have a significant positive impact on ROA. On contrary, for Market returns, we find that the variation of the Global ESG

		ISSN: 1206-1697 **Switzerland** (online)		monthly market return in the Swiss market.	financial return, a short-term ROA accounting model for seven stocks over the period 2003-2012.	score is not a significant factor of a stock's monthly performance.
13.	Maria. C. A. Balatbat & Renard Y. J. Siew and David G. Carmichael	2012 Research gate **Australia** (online)	ESG scores and its influence on firm performance: Australian evidence	Purpose of this paper is to present the impact of ESG practices on the financial performance of companies which are listed in the Australian Securities Exchange.	correlation analysis between various financial ratios and ESG scores; a multi-linear regression analysis; and variances, Portfolio analysis	results show that correlation between financial performance and ESG scores is weakly positive, including both 1-year and 2-year lag analyses. We also find a weak negative association between errors in analyst forecasts and ESG scores.

Table 4: NATIONAL REVIEW OF LATERATURE

S. No.	Author(s)	Year	Title	Objective(s)	Research Methodology	Key Findings
1.	Pramod Kumar, Arun Kumar and Shivam Agnihotri	2022 The Institute of Cost Accountants of India ISSN 0972-3528 Vol. 57 NO. 03 **India** (online)	An Empirical study of business responsibility reporting as ESG perspective in selected Indian banks.	The core objective of this study is to understand the concept of BRR in ESG perspective and also check the status of BRR in the select Indian banks.	One public and one private sector top bank based on market capitalization were selected to check compliance level of BRR practices as ESG perspective. The content analysis method was adopted to check compliance of BRR framework in selected banks.	The different level of BRR disclosures as ESG perspective is found in SBI and HDFC bank have been dealt with. It is suggested that SEBI should make it mandatory for banks to prepare standalone BRR with annual reports. It is also suggested that professional bodies should issue guidance notes etc to their members for soundness and development of BRR.
2.	Rajesh Desai, Avani Raval, Narayan	2021 Research gate	Impact of carbon emission on financial performance: empirical	The purpose of this study is to examine the effect of carbon emission on accounting and market-based financial	Firms reporting emission data on Carbon Disclosure Project (CDP) are considered for empirical analysis and the data have been collected for the	Primarily, the findings postulate a significant negative impact of carbon emissions on both measures of financial performance. Further, it also determines that

	Baser, Jay Desai	**India** (online)	evidence from India	performance of Indian companies.	period from 2013 to 2019. The study adopts Heckman's regression model to control for self-selection bias and it also examines the moderating role of environmental sensitivity through industry-wise analysis. The results are also checked for potential endogeneity using generalized methods of moments estimation.	environmentally sensitive firms are more exposed to such negative influence of emission compared to non-sensitive companies.
3.	Surender kumar, Pritika Dua	2021 Journal of Environmental Planning and Management 65(5): 1-27 **India** (online)	Environmental management practices and financial performance: evidence from large listed Indian enterprises	The present study revisits the premise of environmental–financial linkage in an Indian context with a focus on large listed enterprises.	Researcher develop a comprehensive dataset of 459 large listed Indian companies covering major manufacturing and service sectors of the economy over an eleven-year period from 2008–09 to 2018–19. Static and dynamic regression models are used to gauge the impact of environmental management practices on firm profitability (Return on Assets and Return on Equity) and market valuation (*Tobin Q*, Market to Book Value Ratio and Excess Valuation to sales ratio).	Empirical results suggest a positive impact of environmental management on firm profitability and market valuation. These results are of interest to corporate and policy makers for recognizing the financial implications of corporate environmental management.
4.	Shafat Maqbool	2020 Shodh Gangotri **India** (online)	Impact of Corporate Social Responsibility on Financial Performance of Selected Indian Companies	The main objectives of this study are discuss the theoretical considerations related to CSR, study the trends and pattern and examine the relationship between	financial sample condensed to 101-NSE companies for 8 fiscal years. Financial performance is used as a dependent variable and CSR as an independent variable in this model. Furthermore, the study incorporated 7 control	The study found that there is an increase in the CSR expenditure of the selected companies; this increase is more visible after the enactment of the companies Act, 2013. And The finding of the study shows divergent results for two dependent variables.

				CSR and financial performance of the company.	variables, such as size, age, risk, capital intensity, liquidity, leverage and Industry. Various econometric techniques, such as Descriptive Statistics, ANOVA, Wilcoxon Test, Panel Regression Modelling, 2-Stage least Square and Granger Causality.	The analysis shows that CSR has a positive impact on the profitability of the selected companies. Likewise, the findings show that CSR has a positive but statistically insignificant impact on the stock returns of the selected companies.
5.	Karishma K Dalal and Nimit Thaker	2019 IUP Journal of Corporate Governance ; Hyderabad Vol. 18, Issue: 1 **India** (online)	ESG and Corporate Financial Performance: A Panel Study of Indian Companies	the purpose of this paper is to examine the influence of ESG factors on the performance of Indian public limited companies in terms of profitability and the value of the firm through multiple measures of return on asset and Tobin's Q ratio.	The authors used annual ESG data of 65 Indian firms listed on the NSE 100 ESG Index database, covering the period from 2015 to 2017. Random effect panel data regression analysis was used to test the influence of ESG factors on the economic performance of the firms.	The findings of the study indicate that good corporate ESG performance enhances financial performance evaluated through accounting as well as market-based measures. The findings have practical implications for corporates, investors, regulators, as well as policymakers. The study highlights the need for adoption of sustainability reporting, including disclosure of ESG scores. This would go a long way in improving sustainable business practices and long-term viability of the shareholders' wealth.
6..	Geetika, Akanksha Shukla	2017 IUP Journal of Corporate Governance . 2017, Vol. 16 Issue: 2,	The Relationship Between Corporate Social Responsibility and Financial Performance of Indian Banks.	The present paper attempts to answer the question by determining the impact of CSR on the financial performance of the banks.	It uses regression analysis to determine the impact of CSR expenditure on the financial performance of banks, measured using Profit After Tax (PAT), Return on Assets (ROA), Return on Equity (ROE) and market capitalization of the banks.	As a result of the study, a validated model is developed, which shows a positive relationship between CSR expenditure and different measures of financial performance while firm size is controlled.

		India (online)				
7.	Twinkle Prusty & Saurabh Kumar	2016 Amity Journal of Corporate Governance 1(1), (15–33) **India** (online)	Effectivity of Corporate Governance on Financial Performance of IT Companies in India with Special Reference to Corporate Board	The purpose of this paper is to examine the extent to which corporate governance through the board performance, impacts the financial performance of selected IT companies in India. The study identifies whether there is any significant relationship between the board committee (BC) and composition of board (COB) with ROA & ROCE of the selected IT companies.	To achieve the objectives of this study, the correlation, regression and ANOVA study research design is used to investigate the significant relationships and causal effect of board size, board meeting, board committee, board composition and disclosure practices as independent variables with return on assets and return on capital employed as the dependent variable	The study shows that there is a significant positive relationship between the board governance and financial performance of selected IT companies. Both, board committee (BC) and composition of board (COB) have shown positive correlation with ROA & ROCE but BC has shown its significant impact also on ROA & ROCE.
8.	Dr. Swami Prasad Saxena	2016 Vishwakarma Business Business Review, Vol. VI, issue 2 (2016) **India** (online)	An Analysis of the impact of ESG screening on financial performance of selected Indian companies	This paper has main aim to analysis the ESG screening on the performance and on the profitability of the companies.	Paired sample t-test, variance, Shapiro-wilk test of normality. And the Wilcoxon testis used for the companies having non-normality distributed data.	To accomplish the objective, the researchers analyzed the performance and risk profile of the selected companies in pre and post ESG screening periods by using The results of Wilcoxon (non-parametric) test and paired sample t (parametric) test applied on stock returns and beta of selected companies indicate that there is no significant impact of ESG screening on financial performance and risk profile of the companies.

9.	Maria Tresita and Uma Devi	2016 Bharathiar School of Management and Development **India** (online)	A study analyzing the impact of corporate social responsibility on sales of selected India companies	This paper gives an theoretical overview of the legal framework of CSR in India, discusses the trends of CSR in India that how CSR once considered as charity by a company has now transformed as a responsibility of the company towards society.	Researcher has taken a sample of 6 companies at random from various sectors and collected. the details of their annual sales figure from their annual reports. Tools used for the study based on the objective are Pearson's Correlation (2 Tailed) test to study the relationship between CSR investment and the Sales of sample and Regression to study the impact of CSR investment on sales.	The study shows that there is a correlation between Sales and CSR Investment. More companies need to start disclosing their CSR Investment to help us understand the impact better. CSR has a wide-ranging effect across the globe especially in emerging markets like India. More companies should do CSR reporting.

Need of the study/Research Gap

After going through the past literature, the researcher has discovered that just a handful of studies have been conducted in reference to **"Environmental, Social and Governance (ESG) Factors and Financial Performance: An Analysis of Investors' Sagaciousness towards ESG in India,"** and those that exist are not particularly focused and mostly overview-based. So, there is a need to conduct empirical research covering varied companies. In view of the recent emergence of environmental, social, and governance investors who are also wanted, the companies have started formulating policies that address ESG issues, thereby resulting in the alignment of long-term financial sustainability with public interest. The studies of ESG have been conducted by a few researchers all over the world. But this is a wide area that needs constant development. India's corporate sector plays a crucial role in nation-building, and now ESG becomes an integral part of the broader governance of the country. A strong ESG structure will enhance the overall confidence in the Indian market at a global level.

The stakeholders have also started demanding that the companies be transparent and report on where and how their money is being utilized. Market participants are developing investment strategies that are different from traditional investment strategies and are based on ESG considerations, which are different from conventional investment strategies without losing their interest.

"Environmental, Social and Governance (ESG) factors and financial performance: An analysis of investors' sagaciousness towards ESG in India" reveals the effect of ESG on the financial performance as well as how they enhance the value of the stakeholders and also showing the future predictions regarding the investors.

Motivation of the study/Justification of the study

Generally, there are three main investor motivations for implementing ESG. The first is values-based, with the goal of aligning investments with an ethical or moral worldview. Screening approaches may be appropriate in this case. A second motivator is potential risk or return enhancement. Here, strategies that integrate ESG factors in investment analysis to better understand an investment's risk and return potential may be relevant. The third motivator is positive environmental or social impact-contributing to a better, more sustainable world. It is important to note that for many investors, these motivators are not mutually exclusive. To the best of the researcher's knowledge, this would be quantitative research

on "Environmental, Social and Governance (ESG) factors and financial performance: An analysis of investors' sagaciousness towards ESG in India" of the selected companies. Other reasons for ESG investing research include: expanding public-private partnerships; climate change; shifting energy sources; technology changing what we demand and how we consume; social media driving social norms; changing demography; and global value chains.

Objectives of the study

The researcher intends to study the **"Environmental, Social and Governance (ESG) factors and financial performance: An analysis of investors' sagaciousness towards ESG in India"** so that company will more focus on their environment, social and governance and also assist the outsider of the company to ESG investments and Fundings. The researcher also tries to find out the investor's craze and sagaciousness toward the present investor.

The proposed research work is designed to achieve the following objectives:

1. To analyze the ESG disclosure of the selected companies.
2. To assess the mapping ESG with SDG relation financial performance of selected companies.
3. To examine the impact of the Environmental, Social, Governance on the financial performance of the selected companies.
4. To create a plan for sound Environment, Social and Governance practices in the current business scenario.
5. To evaluate the pandemic effect on the investor's choice.
6. To analyze the sagaciousness of different stakeholders and professionals regarding ESG investing.

Research Hypothesis

To provide the scientific foundation for the findings, the researcher has constructed the following Null Hypotheses**(H_0):**

- **Null Hypothesis 1(H_{01}):** There is no significant relationship between Environmental factors and the financial performance of the selected companies.

A. **($H_{01(i)}$)** There is no significant relationship between Environmental factors and Return on Asset (ROA).

B. **($H_{01(ii)}$)** There is no significant relationship between Environmental factors and Return on Equity (ROE).

- **Null Hypothesis 2(H_{02}):** There is no significant relationship between social factors and the financial performance of the selected companies.

A. **($H_{02(i)}$)** There is no significant relationship between social factors and Return on Asset (ROA).

B. **($H_{02(ii)}$)** There is no significant relationship between social factors and Return on Equity (ROE).

- **Null Hypothesis 3(H_{03}):** There is no significant relationship between Governance factors and the financial performance of the selected companies.

A. **($H_{03(i)}$)** There is no significant relationship between Governance Factors and Return on Asset (ROA).

B. **($H_{03(ii)}$)** There is no significant relationship between Governance Factors and Return on Equity (ROE).

- **Null Hypothesis 4(H_{04}):** There is no significant relationship between Environmental, Social, and Governance factors and the financial performance of the selected companies.

➢ **The researcher may further formulate hypothesis(es) during the course of the study as per the demands of the study to give it a more scientific base.**

- **Variables Description:**

  'Environmental,' 'Social,' and 'Governance' represent dependent variables, which are analysed one by one, and the financial parameters (measures) represent independent variables. A further description is given in Research Methodology.

Research Methodology

To accomplish the objectives of the study, the following research methodology is proposed:

A. Sample Design:

The research is very broad as it will consider qualitative as well as quantitative information. Hence, the research design contains the characteristics of explanatory, analytical and descriptive research because it will be carried out with specific and evolutionary objectives, utilise a the large number of data points, and try to establish the relationship between different variables.

❖ **Sample size and selection criteria:**

➢ **Sample Size-**

The following companies are selected for the study:

Table 5: Name of the selected Companies

S.no.	Company name	S.no.	Company name
1.	ACC Ltd.	26.	IndusInd Bank Ltd.
2.	Adani Ports and Special Economic Zone Ltd.	27.	Infosys Ltd.
3.	Ambuja Cements Ltd.	28.	ITC Ltd.
4.	Asian Paints Ltd.	29.	Kotak Mahindra Bank Ltd.
5.	Axis Bank Ltd.	30.	Larsen & Toubro Ltd.
6.	Bajaj Auto Ltd.	31.	Lupin Ltd.
7.	Bank of Baroda	32.	Mahindra & Mahindra Ltd.
8.	Bharti Airtel Ltd.	33.	Maruti Suzuki India Ltd.
9.	Bharat Heavy Electricals Ltd.	34.	NTPC Ltd.
10.	Bharat Petroleum Corporation Ltd.	35.	ONGC
11.	Bosch Ltd.	36.	Punjab National Bank
12.	Cairn India Ltd.	37.	Power Grid Corporation of India Ltd.
13.	Cipla Ltd.	38.	Reliance Industries Ltd.
14.	Coal India Ltd.	39.	State Bank of India
15.	Dr. Reddy's Laboratories Ltd.	40.	Sun Pharmaceutical Industries Ltd.
16.	GAIL (India) Ltd.	41.	Tata Motors Ltd.
17.	Grasim Industries Ltd.	42.	Tata Power Co. Ltd.
18.	HCL Technologies Ltd.	43.	Tata Steel Ltd.
19.	HDFC Ltd.	44.	Tata Consultancy Services Ltd.
20.	HDFC Bank Ltd.	45.	Tech Mahindra Ltd.
21.	Hero MotoCorp Ltd.	46.	UltraTech Cement Ltd.
22.	Hindalco Industries Ltd.	47.	Vedanta Ltd.
23.	Hindustan Unilever Ltd.	48.	Wipro Ltd.
24.	ICICI Bank Ltd.	49.	Yes Bank Ltd.
25.	Idea Cellular Ltd.	50.	Zee Entertainment Enterprises Ltd.

- **Selection Criterion-**

  On March 31, 2016, NIFTY 50 companies were chosen for their financial performance.

  NIFTY 50: Nifty 50 is the benchmark in the Indian stock market. It is an index that represents the average of 50 of the largest Indian companies listed on the National Stock Exchange.

- **Duration of the study- 8 financial years**, i.e., from financial year 2016-2017 (ending March 31, 2016) to 2023-2024.

B. Statistical Design:

1. **Data Collection -** The study will utilize primary and secondary data both to attain its different objectives.

- ✓ **Primary Data–** To know the sagaciousness towards the ESG investing, A questionnaire will be formulated and served to a sample of 500 stakeholders by covering all 50 companies with 10

respondents from each company (50x10= 500). The selection criteria of stakeholders will be based of- at least 3 years of holding shares in case of shareholders, 3 years of service in the organization in case of employees, 2-3 years with at least 10 transactions in these years in case of customers and suppliers including creditors and reputed national media & communities (based on ratings) in case of media & communities.

Table 6: Composition of Stakeholders with Weight

Types of Stakeholders	Weightage	Total Sample
A. Internal Stakeholders		
1. Shareholders	**3 (50x3)**	**150**
2. Employees (Managers, Supervisor and Workers etc.)	**3 (50x3)**	**150**
B. External Stakeholders		
1. Customers	**2 (50x2)**	**100**
2. Suppliers & Creditors	**1 (50x1)**	**50**
3. Media & Communities	**1 (50x1)**	**50**
Total	**(10)**	**(500)**

(Justification: Weights are assigned due to distinct nature of stakeholders.)

- ✓ **Secondary Data-** Mainly through secondary sources of data like annual reports of the respective sample companies for the entire duration of the study, circulars and notifications, etc., issued or to be issued from time to time by The Ministry of Corporate Affairs in reference to the proposed research topic, research journals, reports, books, etc.

a. Analytical Tools- Various statistical tools such as regression, correlation, ANOVA and so on. Statistical techniques and statistical software, such as SPSS, will be used for data analysis. In addition to the above tools, researcher may adopt a few other tools according to the course of their study.

Table 7: Tools for Analysis

Descriptive Statistics	Inferential Statistics
Charts (bar, pie, line)	Testing of hypotheses
Mean	(This includes the various statistical tools such as ANOVA, etc.)
Minimum and Maximum observation	
Standard Deviation	
Coefficient of Variation	

b. Measures of financial performance: The ratio analysis is an accounting technique for analysing and interpreting the financial data that covers four areas, namely:

- ➢ Liquidity

- Profitability
- Financial leverage and
- Activity analysis.

Table 8(a): ESG factors (key performance measures) that are to be considered in the study:

Environmental	Social	Governance
Environmental Policy	Full time Management	Gender Diversity on Board
Environmental Impacts	Monetary and non- monetary benefits for employees	Board – Independence
Energy Intensity	Attrition rate	Board – Separation of Powers
Carbon/GHG Emission	Training and Development Hours	Voting Results
Primary Energy Source	Health care Benefits	Gender Pay Ratio
Renewable Energy Intensity	Human Rights Policy	Incentivized Pay
Water Management	Human Right Violations	Business Ethics and Code of Conduct
Waste Management	Gender parity ratio at workforce	Bribery/ Anti-Corruption Code
	Community and social work	Corporate Governance
	Local Procurement	

(Source: BSE guidance document on ESG disclosure, 2018)

(and)

Table 8(b): ESG factors (key performance measures) that are to be considered in the study:

Environmental	Social	Governance
Emissions	Employee and Worker Management	Board Independence
Energy	Supply Chain Management	Gender Diversity on the Board
Water	Socially Adverse News, Compliance Lapses and Regular Actions	Good Governance Practices
Waste		Governance-related Controversies
Climate Risk and Targets		

(Source: CRISIL Sustainability Yearbook, 2022)

Table 9: Objective Specific Research Methodology

S.no.	Objective	Research Methodology
1.	To analyze the Environmental, Social and Governance factors disclosure of the selected companies.	Different disclosure heads pertaining to this disclosure head (Environmental, Social and Governance) will be listed out and studied.
2.	To assess the mapping ESG with SDG relation financial performance of selected company.	This objective will be achieved by studying different policies and norms as per the United Nations and companies' norms regarding ESG.
3.	To examine the impact of the of the Environment, Social and Governance on the	For attaining this objective, the researcher will analyse the annual reports and other reports available on the websites of the

	financial performance of the selected companies.	selected companies by preparing a checklist and using statistical techniques such as regression, etc. as per the requirements of the study.
4.	To create a plan for sound Environment, Social and Governance practices in current business scenario.	This objective will be achieved on the based-on findings of the study.
5.	To examine the pandemic effect on the investor's choice.	In order to achieve this goal, the researcher will read articles about ESG growth as well as ESG funding expansion. A questionnaire will also be used of the fulfil this objective.
6.	To analyze the sagaciousness of different stakeholders and professionals regarding ESG investing.	A questionnaire will be developed to solicit feedback on the various ESG aspects, particularly awareness and interest. A sample size of 150 (comprising different stakeholders and professionals) has been set for this purpose.

Table 10: PRAPOSED CHAPTER PLAN

CHAPTER	CHAPTER NAME
Chapter 1	Introduction
Chapter 2	Review of Literature (International and National)
Chapter 3	Analyse the various provisions of the selected companies in terms of effect and impact as regard to the ESG (objective1 and 2).
Chapter 4	Compliance by selected sample companies with the financial performance norms with regard to the ESG investing (Objective 3 and 4).
Chapter 5	Pandemic effect on the investor's choice and the sagacity of different stakeholders and professionals regarding different provisions of ESG (Objective 5 and 6).
Chapter 6	Analysis and Interpretation
Chapter 7	Findings, Suggestions and Conclusion

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